

# Project Management versus Construction Management

## Achieving the Best Fit

In today's marketplace, the choices regarding construction are becoming more and more varied. Not so many years ago, an Owner's decisions were limited to choosing a designer, a contractor, and a manufacturer. These choices, however, have broadened drastically. Not only have means, methods and procedures for construction expanded, but the administration process alternatives for construction have become virtually limitless. There are, however, two main options which are prevalent in the industry, Project Management and Construction Management.

Project Management is the conventional method of construction administration. The Owner has direct contracts with both the Consultant and the Contractor. The Owner is able to retain direct control over all aspects and the quality of the project. This process allows the Owner more flexibility in decision-making. The Owner ultimately makes the final decisions. In addition, the Owner may realize the benefit

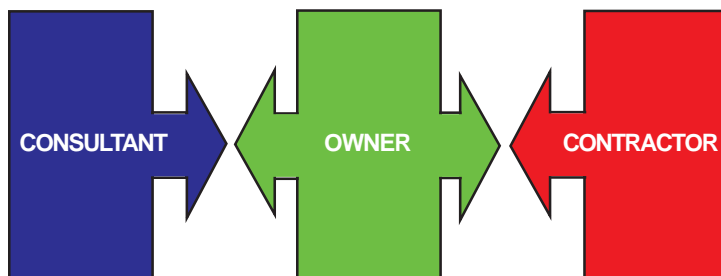
**Each project is unique and needs to be evaluated as to which method will be the best fit for the Owner.**

of competitive bidding.

Construction Management is a progressive, more "convenient" method of construction project administration. The Owner has only one direct contract, with the Construction Manager. The Contractor becomes a subcontractor to the Construction Manager (Consultant). The Owner is not bothered by having to make every decision and may realize a time reduction in the completion of the job. Finally, the Owner's accounts payable department only has to deal with one company.

### Similarities

Project Management and Construction Management



Left: Project Management Diagram

Right: Construction Management Diagram

Note: Arrows indicate contractual relationship.



### Project Management

#### Advantages

- Owner retains control over all aspects/quality of the project
- Owner maintains flexibility in decision-making
- Owner makes final decision
- Owner realizes benefits of competitive bidding

#### Disadvantages

- Owner can become overwhelmed with the minute details of the project
- Owner's accounts payable has to deal with multiple companies

### Construction Management

#### Advantages

- Owner not bothered with having to make every decision
- Owner's accounts payable deals with only one company
- Owner could realize time reduction in completion of job
- Increased quality control responsibility with the Consultant

#### Disadvantages

- Owner loses a level of interface with all companies except Construction Manager
- Owner could invest more money than with conventional process (benefit and need weighted per project)

## **Project Management**

Owner has direct, contractual relationships with both the Consultant and the Contractor and ultimately makes all decisions.

## **Construction Management**

Owner has direct, contractual relationship with the Consultant. Owner has only third-party relationship with the Contractor.

petitive bidding or negotiate a price with a specific Contractor. This, however, is the Owner's decision to make. The Consultant can advise, but has no direct responsibility for this decision. Under a Construction Management agreement, the Consultant has greater responsibility for selecting the Contractor. The Consultant and Owner make the decision about competitive bidding or negotiating a price once the project budget has been established. The Owner may not realize the most competitive price with this process. The Owner has delegated that responsibility to the Consultant under the framework of the Contract Budget.

ment are the same in many ways. First, they both involve the same three parties: the Owner, the Consultant, and the Contractor. The Consultant represents the Owner under both contracts. All communication between the Owner and the Contractor flows through the Consultant. The Contractor, along with any subcontractors, still performs all of the construction work. The Consultant will still be responsible for developing and interpreting the Construction Documents, observing the work, performing inspections, and reviewing submittals.

### **Differences**

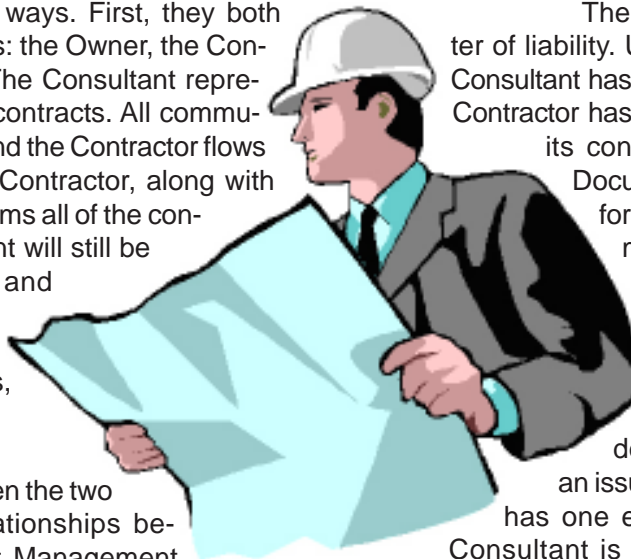
The first difference between the two methods deals with the relationships between the parties. In Project Management, the Consultant and the Contractor have no formal contract between them. They do have a third party relationship which stipulates how they are to work together. They rely on each other to perform certain duties which affect each other's work, but their contracts are only with the Owner. In Construction Management, the Contractor has a direct contract with the Consultant and does not have any direct agreement with the Owner. The Contractor now has a third party relationship with the Owner and is paid by the Consultant, not directly by the Owner.

A second major difference arises in contractor selection. Under a Project Management agreement, the Owner selects the Contractor. The Owner can use com-

The third difference falls in the matter of liability. Under Project Management, the Consultant has liability only for the design. The Contractor has liability for the actual work and its conformance to the Construction Documents. Under this agreement, for any decision which the Owner makes without the Consultant's approval, the Owner assumes responsibility and liability. Under Construction Management, the Consultant assumes responsibility for the design and also for the work. If an issue were to arise, the Owner only has one entity with whom to deal. The Consultant is responsible to the Owner for any part of their Contract which is not met. The Contractor is responsible to the Consultant for their work. The final liability will be shared by the Consultant and the Contractor if the Contractor fails to perform. The Owner's direct liability under this management system is less than under Project Management.

### **The Conclusion**

Both Project Management and Construction Management have advantages and disadvantages associated with them. Each project is unique and needs to be evaluated as to which method will be the best fit for the Owner to achieve company objectives and realize the greatest return on investment. ■



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